

US: LITIGATION



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An anti-cybersquatting case study

A recent action brought under the Anticybersquatting Consumer Protection Act (ACPA), in which Cohen Pontani Lieberman & Pavane LLP (CPLP) prevailed, demonstrates best practices for approaching ACPA actions. The case, *Newport News Holdings Corp v Virtual City Vision, Inc, et al* (ED Va 2009), involved NNHC, a women's clothing company that owns trade mark registrations for NEWPORT NEWS. The defendants registered the domain name NEWPORTNEWS.COM and initially used it as a virtual city website, but later transformed the website into one offering women's clothing.

To succeed under the ACPA, the plaintiff must prove the defendant:

- 1) has a bad faith intent to profit from the plaintiff's mark,
- 2) registers, traffics in, or uses a domain name that,
- 3) in the case of a mark that is distinctive or famous at the time of the registration of the domain name, is identical or confusingly similar (or in the case of a famous mark, dilutive) of the mark

Unlike a trade mark infringement action, which requires proof of a likelihood of confusion between two trade marks, claims under the ACPA are considered without regard to the parties' goods or services. One must prove the defendant's bad faith, and the statute identifies nine factors relevant to that issue. A surprising number of cybersquatting cases are decided on summary judgment, as was this one.

In lieu of lost profits, the ACPA allows the plaintiff to elect statutory damages, with a \$100,000 limit on the award. This eliminates the need for expensive expert witnesses and disclosure of financial information. The little case law on statutory damages for an ACPA violation suggests that where a case is deemed exceptional, the plaintiff likely will be awarded greater damages. NNHC was awarded \$80,000. Other monetary remedies available to plaintiffs prevailing in exceptional cases include attorneys' fees and costs.

Defendants also may be required to forfeit or cancel the domain name, or transfer it to the mark's owner. For NNHC, this resulted in an order requiring the defendants to transfer the NEWPORTNEWS.COM domain name to NNHC. However, getting the transfer can be a challenge. Although the Court ordered the transfer when it ruled on summary judgment, it did not issue a final judgment for nearly six months – after considering motions for statutory damages, attorneys' fees, costs, and sanctions. One issue was convincing the Court that each day defendants held on to the domain name – even if it was inactive – was business lost to NNHC. Courts should be urged to resolve the statutory damages issue concurrently with issues of liability and transfer requests.

Convincing the domain name registrar to transfer the name to NNHC also proved challenging. The ACPA provides for an *in rem* action against a domain name in instances in which personal jurisdiction over the trade mark owner cannot be obtained. But this was not our situation. Now, however, many registrars deposit the registration certificate for the disputed domain name with the Court, a policy that the defendants' registrar adopted after the Complaint in our action had been filed. This course of action is advisable because it places transfer of the domain name in the Court's control. It is advisable at least to have the registrar freeze the domain name so that it cannot be transferred during the litigation.